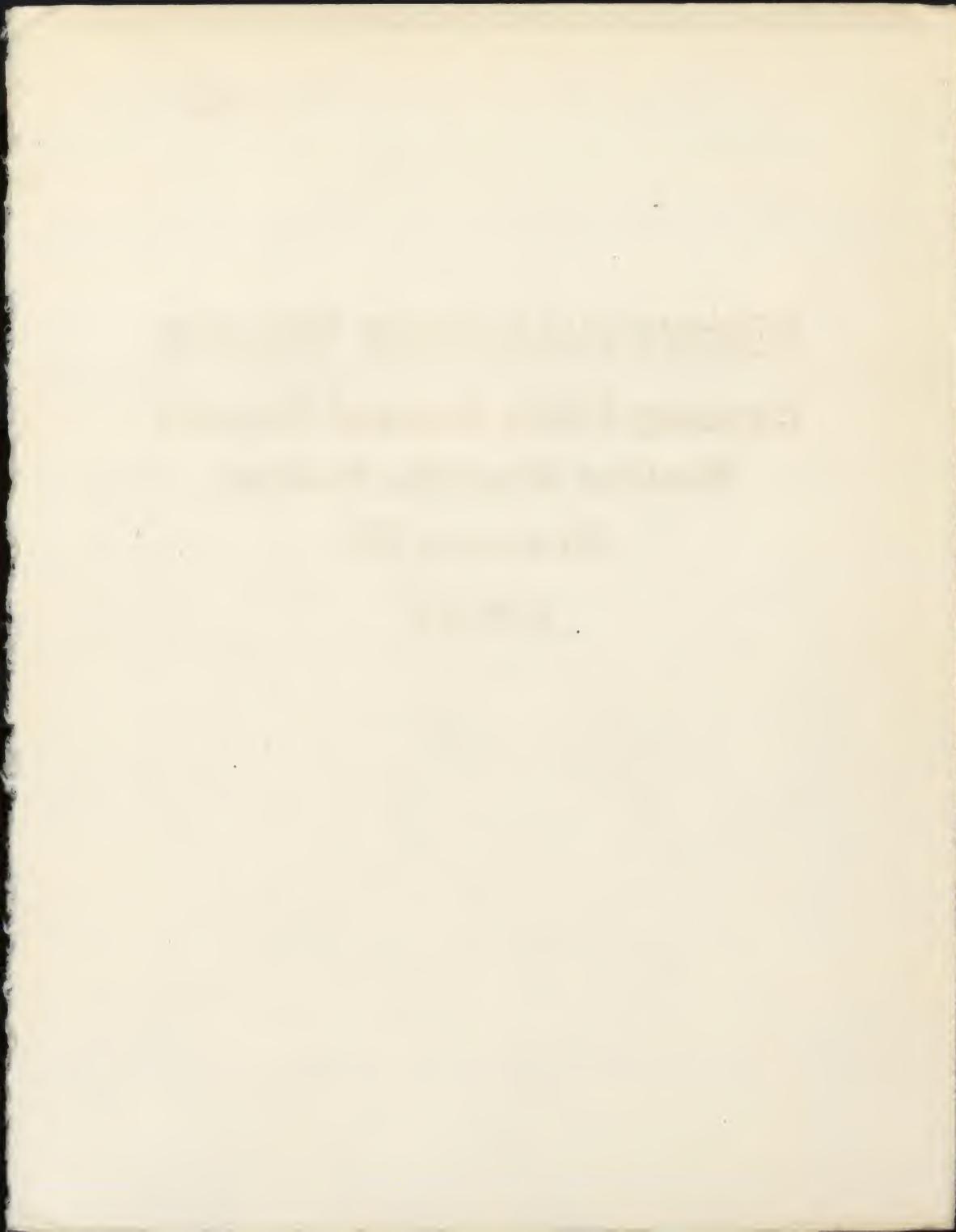


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MONTGOMERY WARD
Seventy-Fifth Annual Report
Twelve Months Ended
January 31
1947

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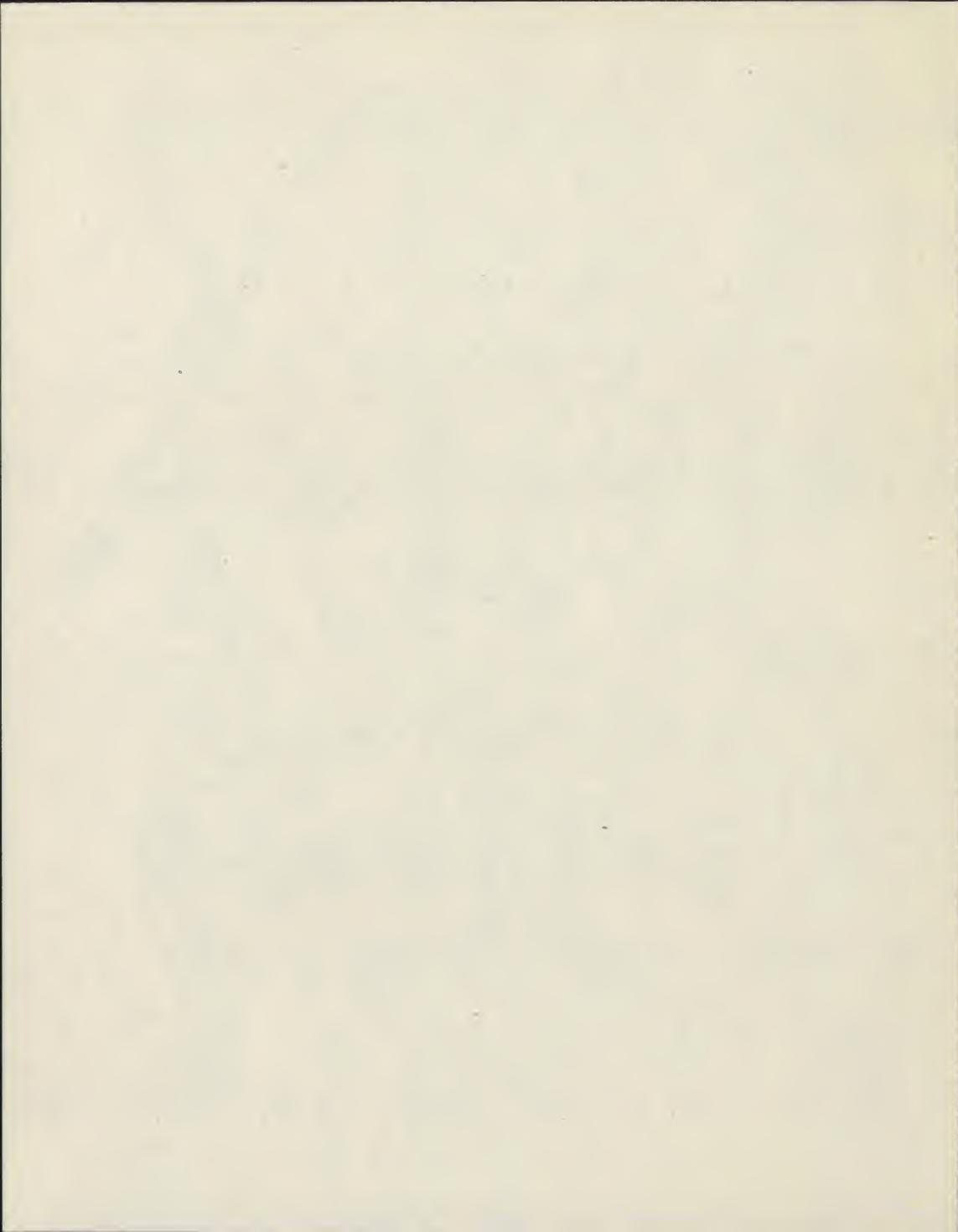
Montgomery Ward & Co.

INCORPORATED

(AN ILLINOIS CORPORATION)



Seventy-Fifth Annual Report
Twelve Months Ended
January 31, 1947

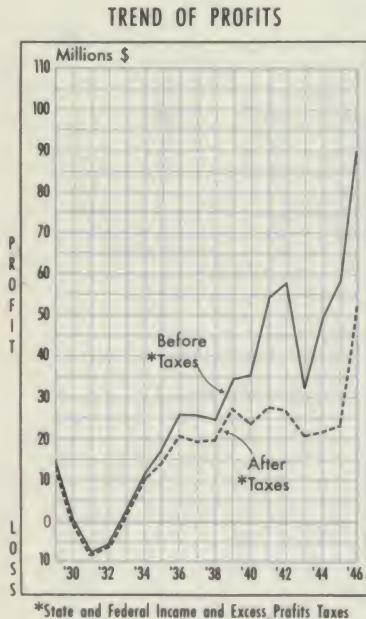


Chicago, April 1, 1947

To the Shareholders of
Montgomery Ward & Co.:

Net profit for the fiscal year ended January 31, 1947 was \$52,282,182, equivalent to an earning of \$7.83 per

share on the common stock outstanding at the end of the year, after deducting dividends paid on the Class "A" stock. For the preceding year the comparable profit was \$22,932,025 or \$4.12 per share. Net profit transferred to surplus was \$42,282,182 or \$6.29 per share of common stock, after providing \$10,000,000 additional reserve for possible inventory price decline.



Profit before taxes on income increased \$31,645,000 or 54%, to \$89,902,182 for the year, and the ratio of these earnings to sales increased slightly, from 8.9% of sales for the preceding year to 9.2%. With the elimination of the excess profits taxes, the provision for taxes on income increased only \$2,295,000 and the ratio of these taxes to the profit before taxes declined from 60.6% to 41.8%.

Net sales for the year increased \$319,478,000 or 48.8%, to a total of \$974,256,649. This new high in total dollar volume reflects the highest levels of sales ever attained in both retail and mail order divisions, in spite of the fact that \$270,000,000 was returned to mail order customers because the merchandise which they ordered could not be supplied.

Inventories increased \$100,285,000 during the year, to \$237,884,673 on January 31st. However, the total merchandise position on that date, including orders in the hands of suppliers, was only \$82,546,000 higher than at the end of the previous fiscal year, reflecting an improvement in delivery schedules. Recent modifications in government credit restrictions,

together with an increasing volume of sales in the durable merchandise lines, contributed to an increase of \$35,771,000 in customers' time payment accounts. Working capital increased \$92,538,000 during the year, to \$333,146,318. The ratio of current assets to current liabilities was 7 to 1.

Working capital in the amount of \$64,200,462 was provided through the sale of common stock to shareholders of record on July 18th, in the ratio of one new share at \$50.00 for each four shares held. Subscriptions were received for 1,285,257 shares, representing 98.5% of the total offering.

Cash dividend distributions during the year totaled \$19,601,245 of which \$1,410,878 was paid to Class "A" shareholders, and \$18,190,367 or \$3.00 per share to the holders of common shares. Net worth was \$356,522,181 on January 31st, and the book value of the common stock on that date was \$51.74 per share.

Respectfully submitted,

SEWELL AVERY,

Chairman of the Board

Montgomery Ward

Balance Sheet —

ASSETS

Current Assets:

Cash.....	\$ 13,406,679
U. S. Government securities (short term).....	51,305,900
Receivables—	
Customers' time payment accounts.....	\$ 83,650,677
Customers' charge and other accounts.....	6,637,405
Due from suppliers, claims receivable, etc..	8,727,069
	<hr/>
	\$ 99,015,151
Less—Reserves for doubtful accounts and collection expense.....	12,568,975
	<hr/>
Merchandise inventories (priced at the lower of cost or market).....	237,884,673
Total current assets.....	<hr/> \$389,043,428

Prepaid Catalog Costs and Expenses

13,287,297

Fixed Assets (at cost, less depreciation reserves):

Land.....	\$ 6,212,067
Buildings.....	\$ 36,805,337
Fixtures and equipment.....	30,642,801
	<hr/>
	\$ 67,448,138
Less—Reserves for depreciation.....	38,148,199
	<hr/>
Leasehold Improvements (less amortization)...	29,299,939
	<hr/>
	3,852,608
	<hr/>
	\$441,695,339

& Co., Incorporated

January 31, 1947

LIABILITIES

Current Liabilities:

Accounts payable.....	\$ 25,375,687
Due customers.....	16,772,569
Accrued expenses and miscellaneous taxes.....	13,748,854
Provision for Federal income taxes.....	\$ 36,760,000
Less—U. S. Treasury savings notes.....	36,760,000
Total current liabilities.....	<hr/> — <hr/> \$ 55,897,110

Reserves:

Possible future inventory price decline.....	\$ 26,000,000
Self-insurance and contingencies.....	<hr/> 3,276,048 <hr/> 29,276,048

Capital Stock and Surplus:

Class "A"—Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400
Common—Authorized 10,000,000 shares of no par value; issued 6,497,438 shares, at stated value.....	210,984,385
Amounts received on installment subscriptions for 4,966 shares of common.....	185,912
Earned surplus.....	<hr/> 125,196,484 <hr/> 356,522,181 <hr/> \$441,695,339

Montgomery Ward & Co., Incorporated

Comparative Income Account

	<i>Year Ended January 31</i>	
	<i>1947</i>	<i>1946</i>
Net sales	\$974,256,649	\$654,778,682
Cost of sales and operating expenses (including depreciation and amortization of \$3,306,430 and \$3,362,225 respectively)	884,354,467	596,521,657
Profit before taxes on income	<u>\$ 89,902,182</u>	<u>\$ 58,257,025</u>
Provision for income taxes—		
Federal and state income taxes	\$ 37,620,000	\$ 13,840,000
Excess-profits taxes	<u>—</u>	<u>21,485,000</u>
	<u>\$ 37,620,000</u>	<u>\$ 35,325,000</u>
Net profit for the year	\$ 52,282,182	\$ 22,932,025
Provision for possible future inventory price decline	<u>10,000,000</u>	<u>—</u>
Net profit carried to surplus	<u><u>\$ 42,282,182</u></u>	<u><u>\$ 22,932,025</u></u>

Earned Surplus Account

Balance January 31, 1946	\$102,515,547
Net profit	<u>42,282,182</u>
Total	<u><u>\$144,797,729</u></u>
Deduct—	
Dividends on Class "A" stock—\$7.00 per share	\$ 1,410,878
Dividends on Common stock—\$3.00 per share	<u>18,190,367</u>
	<u><u>19,601,245</u></u>
Balance January 31, 1947	<u><u>\$125,196,484</u></u>

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

*To the Board of Directors,
Montgomery Ward & Co., Incorporated:*

We have examined the balance sheet of MONTGOMERY WARD & Co., INCORPORATED (an Illinois corporation) as of January 31, 1947, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods, at times, and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of the company at January 31, 1947 and the results of its operations for the two years then ended, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
March 10, 1947

ARTHUR ANDERSEN & Co.

Montgomery Ward

Comparison of

January 31

	1947	1946	1945	1944
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ASSETS

Cash and U. S. securities.....	\$ 64,712,579	\$ 98,892,914	\$ 95,509,773	\$ 77,203,467
Receivables, less reserves.....	86,446,176	48,599,391	48,693,043	42,054,432
Merchandise inventories.....	<u>237,884,673</u>	<u>137,599,751</u>	<u>117,530,922</u>	<u>124,577,979</u>
Total current assets.....	<u>\$ 389,043,428</u>	<u>\$ 285,092,056</u>	<u>\$ 261,733,738</u>	<u>\$ 243,835,878</u>
Prepaid expenses.....	13,287,297	8,403,588	8,819,426	8,789,158
Investments, etc.....	—	—	4,505,000	2,685,000
Fixed assets.....	<u>39,364,614</u>	<u>39,654,992</u>	<u>41,753,415</u>	<u>44,278,550</u>
	<u><u>\$ 441,695,339</u></u>	<u><u>\$ 333,150,636</u></u>	<u><u>\$ 316,811,579</u></u>	<u><u>\$ 299,588,586</u></u>

LIABILITIES

Current liabilities.....	\$ 55,897,110	\$ 44,484,135	\$ 39,652,470	\$ 31,777,287
Reserves.....	29,276,048	19,025,719	18,605,180	18,698,037
Capital stock.....	231,325,697	167,125,235	149,035,664	149,035,664
Earned surplus.....	<u>125,196,484</u>	<u>102,515,547</u>	<u>109,518,265</u>	<u>100,077,598</u>
	<u><u>\$ 441,695,339</u></u>	<u><u>\$ 333,150,636</u></u>	<u><u>\$ 316,811,579</u></u>	<u><u>\$ 299,588,586</u></u>
Net working capital.....	<u><u>\$ 333,146,318</u></u>	<u><u>\$ 240,607,921</u></u>	<u><u>\$ 222,081,268</u></u>	<u><u>\$ 212,058,591</u></u>

& Co., Incorporated

Balance Sheets

January 31

1943	1942	1941	1940	1939	1938
\$ 44,104,978	\$ 15,955,864	\$ 16,413,449	\$ 14,396,412	\$ 24,392,658	\$ 18,515,251
53,539,393	91,073,514	94,715,917	78,880,212	62,593,191	57,353,769
139,733,375	123,102,953	101,710,763	96,323,612	81,494,245	77,361,847
<u>\$237,377,746</u>	<u>\$230,132,331</u>	<u>\$212,840,129</u>	<u>\$189,600,236</u>	<u>\$168,480,094</u>	<u>\$153,230,867</u>
9,345,872	10,508,082	8,357,296	7,153,715	6,655,355	6,412,777
2,045,000	678,173	856,718	5,234,916	6,012,451	6,648,497
46,360,093	48,981,230	49,623,060	49,848,029	46,683,090	46,896,602
<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>	<u>\$227,830,990</u>	<u>\$213,188,743</u>
\$ 36,986,928	\$ 51,239,949	\$ 49,362,756	\$ 40,704,949	\$ 31,901,198	\$ 27,675,902
17,860,447	7,370,943	1,132,067	1,132,412	1,095,730	1,087,137
149,035,664	149,035,664	149,035,664	149,035,664	149,035,664	149,035,664
91,245,672	82,653,260	72,146,716	60,963,871	45,798,398	35,390,040
<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>	<u>\$227,830,990</u>	<u>\$213,188,743</u>
<u>\$200,390,818</u>	<u>\$178,892,382</u>	<u>\$163,477,373</u>	<u>\$148,895,287</u>	<u>\$136,578,896</u>	<u>\$125,554,965</u>

Montgomery Ward

Comparison of Sales,

FISCAL YEAR ENDED JANUARY 31	NET SALES	PROFIT BEFORE INCOME TAXES	INCOME TAXES	NET PROFIT*
1947	\$974,256,649	\$89,902,182	\$37,620,000	\$52,282,182*
1946	654,778,682	58,257,025	35,325,000	22,932,025
1945	620,968,523	49,065,839	27,780,000	21,285,839
1944	595,932,821	31,932,098	11,255,000	20,677,098
1943	635,006,979	57,597,584	31,160,000	26,437,584*
1942	632,708,657	54,011,716	26,660,000	27,351,716*
1941	515,910,915	35,083,017	12,055,000	23,028,017
1940	474,882,032	34,310,645	7,300,000	27,010,645
1939	413,961,241	24,044,956	4,400,000	19,644,956
1938	414,090,544	25,110,029	5,900,000	19,210,029
1937	361,297,059	25,198,914	5,000,000	20,198,914
1936	293,042,357	16,837,310	3,310,000	13,527,310
1935	249,805,721	11,161,054	2,000,000	9,161,054
1934	187,632,543	2,227,957	—	2,227,957

* Before deducting provisions for possible future inventory price decline in fiscal years

** Includes transfers of excess time payment reserves in the fiscal years ended January

& Co., Incorporated

Earnings, and Surplus

COMMON STOCK EARNINGS PER SHARE*		DIVIDENDS	INVENTORY PRICE DECLINE RESERVE (End of Year)**	EARNED SURPLUS (End of Year)	BOOK VALUE PER COMMON SHARE
BEFORE TAXES	AFTER TAXES				
\$13.62	\$7.83*	\$19,601,245	\$26,000,000	\$125,196,484	\$51.74
10.90	4.12	11,845,172	16,000,000	102,515,547	47.82
9.13	3.81	11,845,172	16,000,000	109,518,265	45.70
5.85	3.69	11,845,172	16,000,000**	100,077,598	43.89
10.77	4.79*	11,845,172	15,000,000**	91,245,672	42.19
10.08	4.97*	11,845,172	5,000,000	82,653,260	40.54
6.45	4.14	11,845,172	—	72,146,716	38.53
6.31	4.91	11,845,172	—	60,963,871	36.38
4.34	3.50	9,236,598	—	45,798,398	33.48
4.54	3.41	11,832,663	—	35,390,040	31.48
5.21	4.12	19,318,175	—	28,012,674	29.98
3.38	2.65	2,469,036	—	27,131,935	28.46
2.16	1.72	2,116,317	—	16,374,450	26.01
.18	.18	1,058,158	—	9,640,643	24.44

ended January 31, 1947 of \$10,000,000, 1943 of \$6,000,000, and 1942 of \$5,000,000.
 31, 1944 of \$1,000,000 and 1943 of \$4,000,000.

Montgomery Ward & Co., Incorporated

DIRECTORS

SEWELL L. AVERY, Chairman

LAWRENCE A. APPLEY	ROBERT E. HARRISON
PHILIP R. CLARKE	WILLIAM L. KEADY
DAVID A. CRAWFORD	DONALD R. McLENNAN, JR.
HARRY P. DAVISON	WILBUR H. NORTON
GEORGE A. EASTWOOD	ROBERT S. SMITH
PERCY B. ECKHART	SOLOMON A. SMITH
GEORGE WHITNEY	

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LAWRENCE A. APPLEY.....	<i>Vice-President</i>
VERNON R. EDSTROM.....	<i>Vice-President</i>
LAURENCE H. ODELL.....	<i>Vice-President</i>
ROBERT E. HARRISON.....	<i>Vice-President</i>
CHARLES M. ODORIZZI.....	<i>Vice-President</i>
ROBERT S. SMITH.....	<i>Vice-President and Treasurer</i>
LESLIE F. CREWS.....	<i>Vice-President and Comptroller</i>
STUART S. BALL.....	<i>Secretary</i>
ARTHUR R. CAHILL.....	<i>Assistant Treasurer</i>
EDWARD H. COLLINS.....	<i>Assistant Treasurer</i>
EARL G. WARD.....	<i>Assistant Treasurer</i>
JOHN A. BARR.....	<i>Assistant Secretary</i>
RALPH G. CRANDALL.....	<i>Assistant Secretary</i>

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